

## **May 25, 2000/FHWA Southern Resource Center**

### **Data on selected Garvee bond issuances for Briefing on Atlantic Steel Project:**

#### **New Mexico**

Bond Amount: \$295 million  
Term: 18 year term  
Security: Stand-alone (backed by future Federal-aid funds only)  
Insurance: Insured  
Interest Rate: **4.7%**  
Rating: A3 (Moody's)  
Issuance Date: 1/99  
Comments: NM 44 project to be completed in 3.5 rather than 27 years

#### **New Jersey**

Bond Amount: \$151 million  
Term: 10 year term  
Security: Backed by Federal Transit Admin Section 5307 formula funds only  
Insurance: Insured  
Interest Rate: **3.5%** for 2001 maturity to **4.3%** for 2008 maturity  
Rating: A (Standard & Poor's); AAA (Standard & Poor's with insurance)  
Issuance Date: 3/99  
Comments: Garvee backed by pledge of FTA (transit) funds;  
Structured as Certificates of Participation (COPs), where holder of certificates own right to participate in periodic lease payments

#### **Mississippi**

Bond Amount: \$200 million  
Term: 10 year term  
Security: Backed by Federal-aid reimbursements and state gasoline tax  
Insurance: Uninsured  
Interest Rate: **4.85%**  
Rating: Aa1 (Moody's)  
Issuance Date: 6/99  
Comments: Statewide four-lane construction program significantly accelerated;  
Not a traditional Garvee, since bond is backed by Federal-aid reimbursements rather than future Federal-aid funds

## Arkansas

Bond Amount: \$575 million bond program; first installment \$175 million  
Term: 14 years  
Security: Backed by future Federal-aid funds, state diesel tax, and pledge of full faith and credit of state  
Insurance: Uninsured  
Interest Rate: **5.21%**  
Rating: Aa2 (Moody's); AA (Standard & Poor's)  
Issuance Date: 3/00  
Comments: Interstate reconstruction program to be completed in 5 rather than 12 years

## Colorado

Bond Amount: \$1.7 billion bond program; first installment \$526 million  
Term: 1 to 15 years  
Security: Backed by future Federal-aid funds and state revenues (gas tax, sales tax, legislative appropriations) at discretion of CDOT  
Insurance: Uninsured short-term and insured long-term  
Interest Rate: **4.61%** for uninsured 2001 maturity to **5.81%** for insured 2015 maturity  
Rating: Aa3 (Moody's); AA (S&P); AA (Fitch) for uninsured; AAA (S&P) for insured  
Issuance Date: 5/17/00  
Comments: Debt service is limited to half the prior year's Federal-aid funds received

**Please Note:** Other states with specific plans to issue Garvees or awaiting legislative approval to issue Garvees include Alabama, Alaska, Arizona, Florida and Virginia. Comparative data regarding these states' issuances may be available within the next 6 months.

For additional information, please feel free to call Frederick Werner at 404-562-3680.

**Selected strategies for increasing the Garvee bond rating and/or reducing the interest rate:**

- 1) Structure Garvee debt over shorter maturities
- 2) Consider buying bond insurance
- 3) Use conservative leveraging strategy (limiting debt service to reasonable proportion of Federal-aid funds)
- 4) Provide secondary state pledges or back-ups (gas/diesel tax, sales tax, tolls, property taxes, pledge of state's full faith and credit)
- 5) Budget for solid cash flow in repayment years
- 6) Maintain clear communication with rating agencies
- 7) Set up a debt service reserve
- 8) Establish covenants to assure third party (such as state treasurer) as trustee